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ABSTRACT

Many people tend to think of the economic problems of higher education as fiscal concern--as a business office problem in financial management. But the full scope of improvements needed in resources management to make higher education more cost-effective is much broader than mere financial control. A central part of resources management must deal with the human resources that organizations utilize. Although it is accepted as a truism that people are the most valuable resources in organizations--and particularly is this true of educational institutions--people are typically the most wasted resource. The people in our institutions are neglected and underutilized. Inadequate attention is paid to their motivation and development; more attention is focused on the physical plant and financial resources. Three concepts should be considered when studying the question of how well institutions of higher education organize and utilize their human resources to carry out their educational functions. These concepts, which are relevant to any deliberations on improving the management of higher education, are productivity, complexity, and accountability. (Author/KE)

NACUBO Professional File

On the Management of People

by John D. R. Cole

Higher education currently is faced with challenges that are testing—perhaps more severely than ever before—the ability of institutions to survive. Education in general is being challenged on the basis of its content, relevance, and cost. Institutions are being challenged both on the viability of their structure and on the basis of governance. But most serious of all for the higher education community is the economic challenge. The question of economic survival is crucial to most educational systems today, and for higher education it is a question most institutions are finding difficult to answer with confidence.

The educational community looks to its business and financial administrators and to their management skills to maintain the economic viability of higher education. Higher education in this country is indeed big business, and it requires competent persons in key management positions to provide the kind of leadership that will assure the economic future of its institutions. In a very real sense, the leaders of the academic world look to such administrators for their economic salvation.

In answering this challenge, *people* may well be the most critical factor in the equation of economic survival. Many persons tend to think of the economic problems of higher education as a *fiscal* concern—as a business office problem in financial management. Solutions are thought of in terms of increasing gifts, grants, endowments and investment yields, curtailing capital expenditures, cutting down on operating costs and, as a last resort, raising tuition. Such fiscal concerns are valid, and these kinds of financial management measures can produce results. But the full scope of improvements needed in resources management to make higher education more cost-effective is much broader than mere financial control.

A central part of resources management must deal with the *human* resources that organizations utilize. Although it is accepted as a truism that people are the most valuable resources in organizations—and particularly is this true of educational institutions—people are typically the most wasted resource. The people in our institutions are neglected and underutilized. Inadequate attention is paid to their motivation and development, more attention is focused on physical plant and financial resources.

Three concepts should be considered when studying the question of how well institutions of higher education organize and utilize their human resources to carry out their educational functions. These concepts, which are relevant to any deliberations on improving the management of higher education, are productivity, complexity, and accountability.

Productivity

Increased productivity is viewed by many knowledgeable observers as the principal survival imperative facing the U.S. economy today. This proposition is neither denied nor defended here, but is offered as a backdrop to two related points.

First, productivity has become a major management concern in government. Although it long was thought that the productivity of governmental organizations was immeasurable as well as unmentionable, some significant work has been done in the last four years not only to disprove both of these assertions, but also to focus on ways of enhancing the productivity of government. At the national level this has been translated into a permanent productivity measurement system that is an important new management tool for government executives.[1] Regular and recurring management processes now take place that permit managers of the government's 2.8 million civilian workers to track productive outputs in relation to human

[1] *Report on Federal Productivity,* Vols. I and II, Joint Financial Management Improvement Program (Washington, D.C., June 1974) and *Productivity Programs in the Federal Government, FY 1974,* Vol. I, "Current Efforts and Future Prospects" (JFMIP, June 1975). Both available from U.S. Government Printing Office or National Technical Information Service.

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resources inputs of more than 60 percent of the work force, and to analyze the causes of productivity increases or declines.

Similar concerns are evident at state and local levels of government, where constantly rising demands for government services have produced significant problems of resources and capability. The problem of productivity is more acute at these levels because of a typically inadequate tax base coupled with chronic wage-price inflation. Both the Congress and the President are deeply concerned about productivity, not just in industry but also in government. The National Commission on Productivity and Work Quality, established in 1970, has a number of initiatives under way attempting to deal with this important issue.

How well does higher education organize, utilize, and develop its human resources to carry out its functions—both in educational and in support activities?

Legislation is now before both houses of Congress that would substantially strengthen the national productivity effort and institutions of higher education are naturally viewed as key participants and contributors to that effort. There appears to be a resurgence of interest on the part of legislators to try to forge stronger bonds between universities and/or colleges and the communities they serve by recreating the kind of university extension services that brought U.S. agriculture out of the doldrums during the Great Depression of the 1930s. The expectation is that schools of management, public administration, and applied engineering can help to solve the productivity problems of local, state, and national government. One might also assume that the aggregate wisdom in these centers of knowledge could be usefully applied to the productivity problems of higher education, but probably this is another case of the shoemaker's family going without shoes.

The second point to be stressed is that the persons involved in productivity improvement may well form the most crucial and, at the same time, the most neglected area of concern. For most persons, the thought of productivity improvement may be synonymous with that of technology, computers, automation, and the like. Processes and products are considered rather than people and what they can contribute to productivity. A major part of the new effort to improve productivity in government is to redress that imbalance and to focus on the way human resources are organized, utilized, and developed to carry out the functions of government.

To return to higher education, the question should be asked: How well does higher education organize, utilize, and develop its human resources to carry out its functions —both in educational and in support activities? Is the typical organization of a college or university a sensible and efficient way to structure the business of education? Does the basic organizational structure permit a sound and cost-effective design of individual jobs? Is the way persons are employed in the various facets of higher education optimally productive? Do personnel policies and management practices foster a high level of motivation, facilitate performance, and encourage individual development?

These are basic questions, but they should be asked seriously and frequently to test the validity of the answers, as reflected in current organization structure, job design, and personnel practice in higher education. Severe inflation, federal cutbacks, and a depressed stock market have caused higher costs, reduced income and, in many cases, substantial operating deficits. The primary response to this probably has been to reduce administrative expenses in order to minimize the impact on quality of teaching and research. In other words, serious financial problems have resulted in a critical look at everything except the organization and use of the principal resource in higher education: people helping each other learn how to learn.

The U.S. Commissioner of Education, Terrel H. Bell, in his keynote address to the 1975 WACUBO Annual Meeting, addressed this question.[2] A few excerpts from his remarks may help to bring the issue into sharper focus:

> ". . . universities may not think of themselves as 'selling' products and services, but the students and parents who shell out money for taxes and tuition do think in terms of 'buying.' Buying what, I am not exactly sure, but buying something, certainly, and increasingly they are asking what they are getting for their money."

> " . . you can effect economies by constantly reviewing the efficiency of your operation. But, I suppose it is obvious, efficiency review is often neglected. It is particularly difficult to talk about higher education in terms of efficiency. What I am talking about is effective use of plant space, optimum use of faculty talent, and good management in running the institution's support services."

> "If the financial picture is unclear, the philosophical picture is no less so. What is education? What is the product of education? *How do we measure productivity in education?*" (Emphasis supplied.)

Commissioner Bell's comments are very pertinent to this discussion. How is productivity in education measured? The implication of Bell's comments is that higher education administrators cannot measure such productivity— that they do not know how. This is not so.

In its simplest terms, productivity is simply the ratio of input to output. Productivity indexes are derived by measuring whatever outputs are identifiable and countable— that is, measurable. And, in terms of the current state of the art, inputs are measured in terms of the amount of

[2] "Higher Education Management. An Overview," Terrel H. Bell, U.S. Commissioner of Education, DHEW, an address to the 1975 Annual Meeting of the Western Association of College and University Business Officers (San Francisco, May 4-7).

labor required to produce the measured outputs. It should be stated that relating these input and output measures is simply an index of efficiency, not of effectiveness.

As far as the world of higher education is concerned, there is no reason technically why adequate productivity measures cannot be developed for educational functions. One can count items such as degrees granted or courses completed. Such measures may appear to be superficial, but they do tell us, over time, how efficiently those functions are executed. Effectiveness is another matter—a second stage of productivity measurement. Simply counting the number of degrees granted or courses completed does not reveal anything about the impact of those educational activities that produce the countable units. Nevertheless, it is important information and can lead to more accurate measurement of effectiveness. The same is true for support activities, one can count the number of persons hired or fired, the number of accounting transactions processed, the number of purchase orders completed, and other such items. One can account for the labor inputs to educational functions, both on the academic and on the support side.

Thus, as a practical matter, it is technically possible to undertake productivity measurement in the world of higher education. The data are there; so are the dangers of misuse. The question is: Is there a desire to know how productive higher education really is? If so, is there a willingness to tackle the issues involved? Once again, Commissioner Bell's comments are useful:[3]

> ". . . while we do not by any means have answers to all of the problems facing the postsecondary education community, we do know that sound business management is essential."

In summary, productivity is both a legitimate and necessary concern in managing higher education and, in addressing it, administrators might benefit from a basic reexamination of how effectively it organizes its human resources, in terms of cash, to carry out its essential business. The next issue is complexity, which, as it is used here, has to do with the difficulty of bringing about improvement.

Complexity

When dealing with human relations and the management of people, the greatest weakness is what Professor Moynihan once called the regrettable "habit of reducing the most complex issues to the most simplistic moralisms" The result of this tendency, he said, has been a set of myths and countermyths about ourselves and others, and about how we relate to organizations and the people who comprise them. Moynihan pointed up this frailty quite clearly on the occasion of his departure from the White House staff in 1970.[4]

> "A century ago the Swiss historian Jacob Burckhardt foresaw that ours would be the age of 'the great simplifiers,' and that the *essence of tyranny* was the *denial of complexity*. He was right. This is the single great temptation of the time. It is the great corrupter, and must be resisted with purpose and with energy.
>
> "What we need are great complexifiers, men who will not only seek to understand what it is they are about, but who will also dare to share that understanding with those for whom they act."

It is a truism to say that the job of managing people effectively is a complex one, it is and always has been. Moreover, when management is forced to deal with a concern for increased productivity, the inherent complexity becomes a tremendous difficulty. Managers face the dilemma of focusing on two major objectives. (1) enhancing organizational performance and productivity, on the one hand, and (2) improving the quality of work life and individual job satisfaction on the other. These two objectives are equally important and interrelated, and many assume that they are causally related—such that, if job satisfaction is enhanced, productivity automatically will improve. There is substantial recent research evidence, however, that these two factors do not necessarily follow parallel paths. This does not mean that they are incompatible, or that they are totally independent of one another, or even that it is impossible to achieve them together. But it does mean that their interrelationships are complex. And it also means that any substantial and enduring improvements in both productivity and job satisfaction are not likely to be brought about easily—particularly if one is tempted to rely on some of the more popular, highly publicized, rather narrow techniques and approaches periodically in vogue.

One of the persistent difficulties in the field of human relations and people management has been a tendency to resort to single approaches and simplistic solutions.

A recent comprehensive study supported by the National Science Foundation provides some important insights in this regard.[5] This was a multidisciplinary evalu-

[3] *Ibid.*

[4] Remarks of Daniel Patrick Moynihan, reported in the *Congressional Record*, December 30, 1970, pp. 44197-8.

[5] *Work, Productivity, and Job Satisfaction, An Evaluation of Policy-Related Research*, Raymond A. Katzell and Daniel Yankelovich (New York University, January 1975), prepared with support from the National Science Foundation, Grant No. SSH 73-07939 A01.

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ation of a substantial amount of recent research dealing with productivity and job satisfaction. Although not entirely consistent, it demonstrated that current relevant research seems to support some general conclusions that can guide managers looking for ways to improve the human side of the organization. The investigators reviewed research dealing with a wide array of methods for improving individual job attitudes, performance, and productivity. Each of them, they noted, usually tackles some partial aspect of the individual's relation to his or her work: financial incentives, *or* supervisory controls, *or* working conditions, *or* work-related social relationships, etc. No *one* of these factors, however, is usually enough to affect both productivity and job satisfaction significantly. Substantial and enduring improvements in performance as well as job satisfaction appear to require an integrated combination of methods in order to bring about any significant and lasting improvements.

The pertinence of these conclusions to the concerns of institutional administrators is substantial. Such conclusions mean that any efforts to increase productivity must encompass an integrated strategy—a combination of methods dealing with the human and academic, as well as the fiscal, aspects of the problem. And in order to bring about any enduring improvements, certain major obstacles need to be overcome: (1) a lack of knowledge about what changes are potentially useful, (2) the absence of a consensus on what needs to be done, (3) weakness in the commitment to change among those principally concerned, and (4) elements of mistrust stemming from real or perceived adversary relationships among those involved.

In short, since human beings are complex, their problems with one another tend to be complex. Typically, simple solutions do not have any lasting effect on complex problems. One of the persistent difficulties in the field of human relations and people management has been a tendency to resort to single approaches and simplistic solutions. This tendency needs to be resisted.

Three Factors for Self-Improvement

Of course, not all those who author solutions for human resources management problems are simplistic in their approach, and many have worthwhile ideas and techniques to offer. If anything has been learned from the last twenty-five years of increasing understanding in the field of human relations, it is that three critical factors need to be introduced in any organization's effort to improve itself: (1) recognizing the importance of *inside* sources of information for organizational assessment and diagnosis; (2) involving and obtaining the commitment of the individuals in the organization who are to be affected by any organizational improvement effort; and (3) the necessity of integrating improvement activities undertaken by the various elements and factions within an organization. To obtain success, it is absolutely essential to put these three factors together into a balanced equation for organizational improvement.

This may be even more difficult in an educational environment than elsewhere. The traditional separation of the professional educational subculture from the operational support subculture in the world of education is a problem that rarely permits of an ideal solution. This is where the business administrator's knowledge and skill in the science and art of management are really challenged.

Accountability

More effective management of human resources in the academic environment can be brought about by emphasizing accountability, which is a key principle of modern management practice. Administrators assign responsibility, delegate the requisite authority, and hold managers accountable for achieving results. All modern management systems, in one way or another, rest on accountability as the cornerstone of management process and discipline. College and university business officers have at their disposal sophisticated accounting systems to help account for practically any and all resources—*except* human resources. All material assets and liabilities are accounted for in financial terms. There is particular concern for capital assets—the inanimate physical ones—in terms of investment cost, cost-effective utilization, depreciation over a useful life, preventive maintenance and repair, obsolescence and replacement. In times of economic stress, such concerns intensify.

But what about human resources? How is one called to account for the stewardship of "people" assets? What kind of an accounting system is there to reveal the key facts about the cost of investment in people, the cost-effectiveness of their utilization, the amount of occupational depreciation and its impact on the length of their work lives, what is spent on preventive maintenance and repairs, and the replacement cost due to obsolescence of human resources?

There is a new and growing interest among managers and accountants to answer these questions. A new branch of accounting is emerging called *human resources accounting*. A number of organizations are working on the design of an accounting system that will respond to that need, and while no one has yet come up with a full-fledged operational model that managers can all agree on, the day is coming when they will. It is not too early for college and university business officers to begin to think in these terms, and to begin to apply their substantial expertise to the problem of management accountability for human resources.

Conclusion

Some concepts have been presented here that may have relevance to the concerns about improving management in

higher education, particularly the management of people. Some ideas have been suggested that might change the ways of thinking about and approaching management in the world of higher education. Mention has been made of problems that must be dealt with in bringing these concepts into management consciousness and practice.

No solutions have been proposed for the human or economic problems encountered in managing institutions of higher education, but the following approach to solutions may be helpful. It entails four elemental steps:

First, establish governing principles. A business officer should determine the principles of his or her institution concerning the management of people—that is, the values to which he or she subscribes and which are taken into account in dealing with human resources. Are productivity, individuality, equity, security, and accountability important? Those principles considered important in management practice should be made visible, and administrators should make a clear commitment to them.

Second, form a strategy. Once the institution's principles and values are clear, make sure there is a management strategy and plan to insure that they are followed. If productivity, development, equal opportunity, job satisfaction, and more cost-effective operations are the goals, the organization should have a long-range strategy for assuring their achievement. Nothing happens without a plan.

Third, set some "people-type" objectives. Each year's plan for the institution should have in it some clear-cut objectives that reflect the organization's concern for improving the management of its human resources. Make sure that important human resource objectives are recognized and made visible in the development and operational planning of the institution.

Finally, provide for accountability. Have a plan for evaluating results and assessing progress achieved as compared to the plans. Develop some very simple and basic ways for institutional managers—academic or business—to be called to account for their stewardship of human resources.

A chief business officer has a unique opportunity to contribute to better management, and should take advantage of that opportunity. In satisfying the important demands of governing boards, officers, faculties, staffs, and students, the question must be asked: Is such an officer dealing as effectively as possible with the human resources at his or her disposal?

The current expanded—and still growing—knowledge about how people work most effectively together in organizations has come in large part from within academic boundaries. The challenge to managers today is to apply that knowledge, on a day-to-day working basis, both within government and within each institution of higher education.

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